

**CITY OF OAKLAND**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009**



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## CITY OF OAKLAND

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Tim White	Mayor	January 2010
Debbie Rollins	Mayor Pro-Tem	January 2012
Terry Gleaves	Council Member	January 2010
Betsy Moniz	Council Member	January 2010
Pat Newberg	Council Member	January 2010
Joseph Wede	Council Member	January 2012
Marissa Lockwood	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Joe Lauterbach	City Attorney	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

July 30, 2009

### Independent Auditor's Report

**Lonnie G. Muxfeldt**

Certified Public  
Accountant

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**Harlan Office:**

2309 B Chatburn Ave.  
P.O. Box 551  
Harlan, IA 51537-0551

Ph. (712) 755-3366  
Fax (712) 755-3343

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**Avoca Office:**

305 W. High Street  
P.O. Box 609  
Avoca, IA 51521-0609

Ph. (712) 343-2379  
Fax (712) 343-5012

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[www.muxfeldt-cpa.com](http://www.muxfeldt-cpa.com)

[firm@muxfeldt-cpa.com](mailto:firm@muxfeldt-cpa.com)

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

July 30, 2009

Page Two

To the Honorable Mayor and  
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 30, 2009 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008, 2007 and 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 M. J. Murphy Associates, CPA, P.C.





**CITY OF OAKLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

As management of the City of Oakland, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2009.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statement:** This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

**Fund financial statements:** The financial statement for governmental funds is the statement of cash receipts, disbursements and changes in cash balances. It is organized by funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Urban Renewal Tax Increment, 3) Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Analysis of significant changes in financial position and fund balances:** The cash balances of the City's governmental activities increased 15% from June 30, 2008, increasing from \$1.17 to \$1.34 million for a net change of \$172,722 for the year ended June 30, 2009. The majority of this increase is due primarily to grants and donations for the Eagle Veterans Monument and the Oakland Aquatic Center.

The following are the changes in the cash balances of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30,		Year Ended June 30,
	2009		2008
Receipts:			
Program receipts:			
Charges for services	\$	96,884	\$ 95,651
Operating grants, contributions and restricted interest		305,893	266,246
Capital grants, contributions and restricted interest		243,258	24,750
General receipts:			
Property tax		206,896	203,171
Tax increment financing		218,833	203,412
Local option sales tax		174,825	148,849
Unrestricted investment earnings		43,728	47,824
Miscellaneous		3,600	6,253
Sale of property		-0-	3,910
Total receipts		<u>1,293,917</u>	<u>1,000,066</u>
Disbursements:			
Public safety		170,153	219,763
Public works		403,838	330,027
Culture and recreation		132,345	137,908
Community and economic development		4,114	6,571
General government		85,324	141,302
Debt service		118,748	108,758
Capital projects		5,848	-0-
Total disbursements		<u>920,370</u>	<u>944,329</u>
Change in cash basis net assets before transfers		373,547	55,737
Transfers, net		<u>(200,825)</u>	<u>(41,710)</u>
Change in cash basis net assets		172,722	14,027
Cash basis net assets, beginning of year		<u>1,173,570</u>	<u>1,159,543</u>
Cash basis net assets, end of year	\$	<u><u>1,346,292</u></u>	\$ <u><u>1,173,570</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cash basis of the net assets of the City's business type activities increased by \$319,392 for the year ended June 30, 2009. This 108% increase is primarily attributable to a reimbursement from the tax increment financing fund to the water fund, loan proceeds, and grants received for the lime sludge lagoon project.

The following are the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities			
	Year Ended June 30,		Year Ended June 30,
	2009		2008
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$	543,495	\$ 552,612
Sewer		63,511	64,364
Sanitation		123,800	128,400
Operating grants, contributions and restricted interest		8,162	-0-
Capital grants, contributions And restricted interest		186,298	-0-
General receipts:			
Rental income		22,451	23,012
Meter deposits		2,899	2,583
Total receipts		<u>950,616</u>	<u>770,971</u>
Disbursements:			
Water		864,550	532,658
Sewer		32,721	22,400
Sanitation		119,778	122,068
Total disbursements		<u>1,017,049</u>	<u>677,126</u>
Change in cash basis net assets before net financing sources		(66,433)	93,845
Loan proceeds		185,000	-0-
Transfers, net		200,825	41,710
Change in cash basis net assets		<u>319,392</u>	<u>135,555</u>
Cash basis net assets, beginning of year		<u>294,890</u>	<u>159,335</u>
Cash basis net assets, end of year	\$	<u><u>614,282</u></u>	\$ <u><u>294,890</u></u>

**Analysis between actual and budget amounts:** The City amended its budget on May 18, 2009. For the year ended June 30, 2009, budget over-expenditure occurred in the debt service function.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Debt Administration:** At June 30, 2009, the City had \$480,527 in notes and other long-term debt compared to \$451,500 as of June 30, 2008, as shown below.

Outstanding Debt			
	Year Ended June 30, 2009		Year Ended June 30, 2008
General obligation notes	\$ 354,968	\$	269,777
Revenue bonds	125,559		181,723
Total	\$ 480,527	\$	451,500

Scheduled principal payments for the year ended June 30, 2009 were \$57,574. The City made additional principal payments of \$100,400 which should save the City considerable interest expenditures in future years.

**Future financial statement impact:** Major projects of the City include the Eagle Veterans Monument and the Oakland Aquatic Center. Both will be funded by donations and grants.

**Requests for information:** Requests for additional information can be made to the Oakland City Clerk, Marissa Lockwood, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF OAKLAND**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 170,153	\$ 77,532	\$ 132,740	\$ -0-
Public works	403,838	1,525	123,376	50,000
Cultures and recreation	132,345	12,272	47,827	-0-
Community and economic development	4,114	-0-	-0-	-0-
General government	85,324	5,555	1,950	-0-
Debt service	118,748	-0-	-0-	-0-
Capital projects	5,848	-0-	-0-	193,258
Total governmental activities	<u>920,370</u>	<u>96,884</u>	<u>305,893</u>	<u>243,258</u>
Business type activities:				
Water	864,550	546,394	-0-	186,298
Sewer	32,721	63,511	8,162	-0-
Sanitation	119,778	123,800	-0-	-0-
Total business type activities	<u>1,017,049</u>	<u>733,705</u>	<u>8,162</u>	<u>186,298</u>
Total	\$ <u>1,937,419</u>	\$ <u>830,589</u>	\$ <u>314,055</u>	\$ <u>429,556</u>

See notes to financial statements.



EXHIBIT A

	<u>Net (Disbursements), Receipts and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Functions / Programs:</b>			
Governmental activities:			
Public safety	\$ 40,119	\$ -0-	\$ 40,119
Public works	(228,937)	-0-	(228,937)
Cultures and recreation	(72,246)	-0-	(72,246)
Community and economic development	(4,114)	-0-	(4,114)
General government	(77,819)	-0-	(77,819)
Debt service	(118,748)	-0-	(118,748)
Capital projects	187,410	-0-	187,410
Total governmental activities	(274,335)	-0-	(274,335)
Business type activities:			
Water	-0-	(121,858)	(121,858)
Sewer	-0-	38,952	38,952
Sanitation	-0-	4,022	4,022
Total business type activities	-0-	(88,884)	(88,884)
Total	(274,335)	(88,884)	(363,219)
Property taxes levied for:			
General purposes	206,896	-0-	206,896
Tax increment financing	218,833	-0-	218,833
Local option sales tax	174,825	-0-	174,825
Unrestricted investment earnings	43,728	-0-	43,728
Miscellaneous	3,600	-0-	3,600
Farm rent	-0-	22,451	22,451
Note proceeds	-0-	185,000	185,000
Transfers	(200,825)	200,825	-0-
Total general receipts	447,057	408,276	855,333
Change in cash basis net assets	172,722	319,392	492,114
Cash basis net assets, beginning of year	1,173,570	294,890	1,468,460
Cash basis net assets, end of year	\$ 1,346,292	\$ 614,282	\$ 1,960,574
<b>Cash basis net assets</b>			
Restricted:			
Streets	\$ 22,441	\$ -0-	\$ 22,441
Urban renewal	308,811	-0-	308,811
Library	253,732	-0-	253,732
Capital projects	187,410	-0-	187,410
Water reserves	-0-	89,640	89,640
Unrestricted	573,898	524,642	1,098,540
Total cash basis net assets	\$ 1,346,292	\$ 614,282	\$ 1,960,574

**CITY OF OAKLAND**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 206,896	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	218,833
Other city tax	-0-	-0-	-0-
Licenses and permits	6,353	-0-	-0-
Use of money and property	52,674	1,525	-0-
Intergovernmental	153,770	173,376	-0-
Charges for services	80,060	-0-	-0-
Miscellaneous	32,347	-0-	-0-
Total receipts	532,100	174,901	218,833
Disbursements:			
Operating:			
Public safety	170,153	-0-	-0-
Public works	-0-	403,838	-0-
Culture and recreation	132,345	-0-	-0-
Community and economic development	-0-	-0-	4,114
General government	85,324	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	387,822	403,838	4,114
Excess (deficiency) of receipts over (under) disbursements	144,278	(228,937)	214,719
Other financing sources (uses):			
Operating transfers in	87,413	191,412	260,666
Operating transfers out	(45,043)	-0-	(378,530)
Total other financing sources (uses)	42,370	191,412	(117,864)
Net change in cash balances	186,648	(37,525)	96,855
Cash balances, beginning of year	640,982	59,966	211,956
Cash balances, end of eight months	\$ 827,630	\$ 22,441	\$ 308,811
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 573,898	\$ -0-	\$ -0-
Library	253,732	-0-	-0-
Special revenue funds	-0-	22,441	308,811
Capital projects	-0-	-0-	-0-
Total cash basis fund balances	\$ 827,630	\$ 22,441	\$ 308,811

See notes to financial statements.

## EXHIBIT B

		Other Non-major Governmental Funds		Total	
Debt Service					
\$	-0-	\$	-0-	\$	206,896
	-0-		-0-		218,833
	-0-		174,825		174,825
	-0-		-0-		6,353
	-0-		178		54,377
	-0-		15,000		342,146
	-0-		-0-		80,060
	-0-		178,080		210,427
	-0-		368,083		1,293,917
	-0-		-0-		170,153
	-0-		-0-		403,838
	-0-		-0-		132,345
	-0-		-0-		4,114
	-0-		-0-		85,324
	118,748		-0-		118,748
	-0-		5,848		5,848
	118,748		5,848		920,370
	(118,748)		362,235		373,547
	118,748		-0-		658,239
	-0-		(435,491)		(859,064)
	118,748		(435,491)		(200,825)
	-0-		(73,256)		172,722
	-0-		260,666		1,173,570
\$	-0-	\$	187,410	\$	1,346,292
\$	-0-	\$	-0-	\$	573,898
	-0-		-0-		253,732
	-0-		-0-		331,252
	-0-		187,410		187,410
\$	-0-	\$	187,410	\$	1,346,292

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Water	Sewer
Operating receipts:		
Charges for services	\$ 529,239	\$ 71,673
Reconnections and new meters	20	-0-
Miscellaneous	14,236	-0-
Total receipts	<u>543,495</u>	<u>71,673</u>
Operating disbursements:		
Business type activities	<u>798,188</u>	<u>32,721</u>
Total disbursements	<u>798,188</u>	<u>32,721</u>
Operating income	(254,693)	38,952
Non-operating receipts (disbursements):		
Grants	186,298	-0-
Farm rent	22,451	-0-
Meter deposits	2,899	-0-
Meter deposit refunds	(1,112)	-0-
Debt service	(65,250)	-0-
Total non-operating receipts (disbursements)	<u>145,286</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	(109,407)	38,952
Other financing sources (uses):		
Note proceeds	185,000	-0-
Operating transfer in	212,000	-0-
Operating transfer out	(11,175)	-0-
Net financing sources (uses)	<u>385,825</u>	<u>-0-</u>
Net change in cash balance	276,418	38,952
Cash balances, beginning of year	<u>166,442</u>	<u>89,460</u>
Cash balances, end of year	\$ <u>442,860</u>	\$ <u>128,412</u>
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt service	\$ 48,000	\$ -0-
Reserve - repairs and replacement	41,640	-0-
Unreserved	353,220	128,412
Total cash basis fund balances	\$ <u>442,860</u>	\$ <u>128,412</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	123,800	\$	724,712
	-0-		20
	-0-		14,236
	<u>123,800</u>		<u>738,968</u>
	 119,778		 950,687
	<u>119,778</u>		<u>950,687</u>
	 4,022		 (211,719)
	 -0-		 186,298
	-0-		22,451
	-0-		2,899
	-0-		(1,112)
	-0-		(65,250)
	<u>-0-</u>		<u>145,286</u>
	 4,022		 (66,433)
	 -0-		 185,000
	-0-		212,000
	-0-		(11,175)
	<u>-0-</u>		<u>385,825</u>
	 4,022		 319,392
	 38,988		 294,890
	<u>38,988</u>		<u>294,890</u>
\$	<u>43,010</u>	\$	<u>614,282</u>
\$	-0-	\$	48,000
	-0-		41,640
	43,010		524,642
\$	<u>43,010</u>	\$	<u>614,282</u>



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(1) Summary of Significant Accounting Policies**

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

**Blended Component Unit**

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.



**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(1) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, which the difference reported as net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(11) Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

The City also reports the following additional proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2009, disbursements exceed amounts budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The City's deposits in bank at June 30, 2009, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$1,960,574 as of June 30, 2009.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(3) Notes Payable**

Annual debt service requirements to maturity for the City's general obligation capital loan notes, urban renewal tax increment financing revenue notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Urban Renewal Tax Increment Financing Notes	
	Principal	Interest	Principal	Interest
2010	\$ 9,253	\$ 9,798	\$ 55,000	\$ 4,632
2011	7,000	9,532	15,000	1,688
2012	7,000	9,322	15,000	848
2013	95,715	9,112	-0-	-0-
2014	8,000	4,530	-0-	-0-
2015	8,000	4,290	-0-	-0-
2016	9,000	4,050	-0-	-0-
2017	9,000	3,780	-0-	-0-
2018	9,000	3,510	-0-	-0-
2019	9,000	3,240	-0-	-0-
2020	10,000	2,970	-0-	-0-
2021	10,000	2,670	-0-	-0-
2022	10,000	2,370	-0-	-0-
2023	11,000	2,070	-0-	-0-
2024	11,000	1,740	-0-	-0-
2025	11,000	1,410	-0-	-0-
2026	12,000	1,080	-0-	-0-
2027	12,000	720	-0-	-0-
2028	12,000	360	-0-	-0-
Total	\$ 269,968	\$ 76,554	\$ 85,000	\$ 7,168

  

Year Ending June 30,	Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest
2010	\$ -0-	\$ 6,278	\$ 64,253	\$ 20,708
2011	-0-	6,278	22,000	17,498
2012	-0-	6,278	22,000	16,448
2013	5,559	6,278	101,274	15,390
2014	40,000	6,000	48,000	10,530
2015	40,000	4,000	48,000	8,290
2016	40,000	2,000	49,000	6,050
2017	-0-	-0-	9,000	3,780
2018	-0-	-0-	9,000	3,510
2019	-0-	-0-	9,000	3,240
2020	-0-	-0-	10,000	2,970
2021	-0-	-0-	10,000	2,670
2022	-0-	-0-	10,000	2,370
2023	-0-	-0-	11,000	2,070
2024	-0-	-0-	11,000	1,740
2025	-0-	-0-	11,000	1,410
2026	-0-	-0-	12,000	1,080
2027	-0-	-0-	12,000	720
2028	-0-	-0-	12,000	360
Total	\$ 125,559	\$ 37,112	\$ 480,527	\$ 120,834

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(3) Notes Payable (Continued)**

Urban Renewal Tax Increment Financing Notes

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying a portion of the cost of street development and economic development in the urban renewal areas of the City. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing notes were expended only for purposes which were consistent with the plans of the City's urban renewal areas.

Rescue Vehicle Note

On September 19, 2007, the City financed the purchase of a rescue vehicle with a local bank. The \$174,470 five-year note bears interest at 4.95%, requires semi-annual principal and interest payments of \$11,203, and matures with a balloon payment of \$106,516 on September 19, 2012.

Siren Lease

On April 1, 2005, the City financed the purchase of a town siren through Federal Signal Leasing. The \$15,156 capital lease bears interest at 5.38%, requires 60 monthly payments of \$231, and matures April 1, 2010.

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(3) Notes Payable (Continued)**

Revenue Debt Resolutions

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the water funds.
- b) Sufficient monthly transfers shall be made to a water note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the water system.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute a 4.1% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$14,410, \$13,472, and \$12,093, respectively, equal to the required contributions for each year.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2009, primarily relating to the Water Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2009</u>
Vacation	\$ 21,036
Sick leave	15,833
	<u>\$ 36,869</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Property Taxes**

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected monthly.

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$350 during the year ended June 30, 2009.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

Transfer to	Transfer from	Amount
Special Revenue - TIF	Special Revenue - TIF Bond Escrow	\$ 260,666
Proprietary - Water	Special Revenue - TIF	212,000
Special Revenue - Road Use	Special Revenue - TIF	104,000
Special Revenue - Road Use	Special Revenue - Local Option	87,412
General Fund	Special Revenue - Local Option	87,413
Debt Service	General Fund	45,043
Debt Service	Special Revenue - TIF	62,530
Debt Service	Proprietary - Water	11,175
Total		<u>\$ 870,239</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Risk Management**

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.



**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(9) Risk Management (Continued)**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$36,750.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage of \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(10) Urban Renewal**

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

**(11) Library Construction and Contingency**

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(12) Commitments**

Garbage Collection Service Agreement

The City signed an agreement on June 11, 2007 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2007 to June 30, 2012. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$5.00 and \$5.50 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$3.00 per yard per week for five years and \$1.00 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with Select Benefit Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self-funding benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by Select Benefit Administrators on July 1, 2005, and each year thereafter on the same date. There was no change to the fees on July 1, 2006, 2007 or 2008.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2009. The contract is payable in four installments of \$6,506 on July 1 and October 1, 2009 and January 1 and April 1, 2010.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(13) Grants**

Grants - Fire Department

For the year ended June 30, 2009, the Oakland Volunteer Fire Department received a \$2,392 grant from the Iowa Department of Natural Resources and a \$42,000 grant from Pottawattamie County.

Assistance to Firefighters Grant

In February 2009, the Oakland Volunteer Fire Department was awarded a \$38,000 grant from the Department of Homeland Security, Federal Emergency Management Agency, for the purchase of extrication (jaws of life) equipment.

Grants - Library

For the year ended June 30, 2009, the Eckles Memorial Library received a \$500 grant from the Pottawattamie County Community Foundation.

Eagle Veterans Monument

In the Spring, 2007, the City was awarded a \$25,000 grant from the Pottawattamie County Board of Supervisors for the erection of a veterans monument. For the year ended June 30, 2009, the City received \$15,000.

FEMA Grants

For the year ended June 30, 2009, the City received a \$18,157 grant from the Federal Emergency Management Agency for damages caused by the June 2007 floods. The grant funds were split between parks and sewer, \$9,994 and \$8,163, respectively.

Jensen Memorial Trust Grants

For the year ended June 30, 2009, the City received three grants from the Andreas C. Jensen & Minnie V. Jensen Memorial Trust: a \$10,000 grant for a park improvement project, a \$22,512 grant for the Eagle Veterans Monument, and a \$75,000 grant for the Oakland Aquatic Center Project.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(13) Grants (Continued)**

Lime Sludge Lagoon Project

In August 2007, the City was awarded a 50/50 matching CITIES grant from the Pottawattamie County Board of Supervisors to finance in part the construction of an earthen lagoon for the removal of lime sludge and other solids from backwash created by the water treatment process. The grant award amount was \$224,250. The City received \$186,298 for the year ended June 30, 2009 and \$37,952 in the prior fiscal year. The grant expired October 31, 2008.

Walnut Street Project

On October 8, 2007, the City was awarded a 19/81 matching CITIES grant from the Pottawattamie County Board of Supervisors to finance in part the widening of Walnut Street and the installation of water and sewer lines. The grant award amount was \$50,000. The grant expired October 31, 2008.

**(14) Restatement of Prior Year Balances**

Balances on the Schedule of Indebtedness for the year ended June 30, 2008 were restated as follows:

	As Previously Reported	As Restated
General Obligation Capital Notes:		
TIF - Street Project	\$ 80,000	\$ 80,000
TIF - Economic Development	60,000	60,000
Rescue Truck	124,950	124,950
Lime Sludge Lagoon Project	-0-	-0-
Siren Lease	-0-	4,827
Revenue bonds:		
Water	181,723	181,723
Total	\$ 446,673	\$ 451,500

**(15) Litigation**

The City is subject to pending litigation seeking damages of approximately \$50,000 for trespass (a City waterline is located on a resident's property without a valid easement) and breach of contract (faulty warranty deed). The probability of loss, if any, is undeterminable.



## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF OAKLAND

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 206,896	\$ -0-
Tax increment financing	218,833	-0-
Other city tax	174,825	-0-
Licenses and permits	6,353	-0-
Use of money and permits	54,377	-0-
Intergovernmental	342,146	-0-
Charges for services	80,060	950,616
Miscellaneous	210,427	-0-
Total receipts	<u>1,293,917</u>	<u>950,616</u>
Disbursements:		
Public safety	170,153	-0-
Public works	403,838	-0-
Health and social services	-0-	-0-
Culture and recreation	132,345	-0-
Community and economic development	4,114	-0-
General government	85,324	-0-
Debt service	118,748	-0-
Capital projects	5,848	-0-
Business type	-0-	1,017,049
Total disbursements	<u>920,370</u>	<u>1,017,049</u>
Excess (deficiency) of receipts over (under) disbursements	373,547	(66,433)
Other financing sources, net	<u>(200,825)</u>	<u>385,825</u>
Excess (deficiency) of receipts and other financing sources	172,722	319,392
Balance beginning of year	<u>1,173,570</u>	<u>294,890</u>
Balance end of year	\$ <u>1,346,292</u>	\$ <u>614,282</u>

See Accompanying Independent Auditor's Report



		Budgeted Amounts		Final to
Total		Original	Final	Total
				Variance
\$	206,896	\$ 199,583	\$ 199,583	\$ 7,313
	218,833	222,376	222,376	(3,543)
	174,825	178,177	178,177	(3,352)
	6,353	3,875	3,815	2,538
	54,377	24,000	38,845	15,532
	342,146	186,500	230,392	111,754
	1,030,676	883,584	945,345	85,331
	210,427	16,200	14,300	196,127
	<u>2,244,533</u>	<u>1,714,295</u>	<u>1,832,833</u>	<u>411,700</u>
	170,153	147,391	184,682	14,529
	403,838	529,340	486,252	82,414
	-0-	-0-	-0-	-0-
	132,345	123,759	134,366	2,021
	4,114	72,000	64,000	59,886
	85,324	100,841	91,564	6,240
	118,748	44,043	56,800	(61,948)
	5,848	-0-	6,500	652
	<u>1,017,049</u>	<u>1,240,272</u>	<u>1,122,440</u>	<u>105,391</u>
	<u>1,937,419</u>	<u>2,257,646</u>	<u>2,146,604</u>	<u>209,185</u>
	307,114	(543,351)	(313,771)	620,885
	<u>185,000</u>	<u>500,000</u>	<u>371,298</u>	<u>(186,298)</u>
	492,114	(43,351)	57,527	434,587
	<u>1,468,460</u>	<u>963,406</u>	<u>963,406</u>	<u>505,054</u>
\$	<u>1,960,574</u>	\$ <u>920,055</u>	\$ <u>1,020,933</u>	\$ <u>939,641</u>



## **CITY OF OAKLAND**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**

**JUNE 30, 2009**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$111,042. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.



## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue	
	Local Option	TIF
	Tax	Bond Escrow
Receipts:		
Other city taxes	\$ 174,825	\$ -0-
Use of money and property	-0-	-0-
Intergovernmental	-0-	-0-
Miscellaneous	-0-	-0-
Total receipts	174,825	-0-
Disbursements:		
Operations:		
Capital projects	-0-	-0-
Total disbursements	-0-	-0-
Excess (deficiency) of receipts over (under) disbursements	174,825	-0-
Other financing sources (uses):		
Operating transfers in	-0-	-0-
Operating transfers out	(174,825)	(260,666)
Net financing sources (uses)	(174,825)	(260,666)
Net change in cash balances	-0-	(260,666)
Cash balances beginning of year	-0-	260,666
Cash balances end year	\$ -0-	\$ -0-
<b>Cash Basis Fund Balances</b>		
Unreserved:		
Special revenue	\$ -0-	\$ -0-
Capital projects	-0-	-0-
Total cash basis fund balances	\$ -0-	\$ -0-

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Capital Projects		
Eagle Monument	Aquatic Center	Total
\$ -0-	\$ -0-	\$ 174,825
-0-	178	178
15,000	-0-	15,000
27,994	150,086	178,080
42,994	150,264	368,083
5,848	-0-	5,848
5,848	-0-	5,848
37,146	150,264	362,235
-0-	-0-	-0-
-0-	-0-	(435,491)
-0-	-0-	(435,491)
37,146	150,264	(73,256)
-0-	-0-	260,666
\$ 37,146	\$ 150,264	\$ 187,410
\$ 0-	\$ -0-	\$ -0-
37,146	150,264	187,410
\$ 37,146	\$ 150,264	\$ 187,410

**CITY OF OAKLAND**  
**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2009**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation capital notes:			
TIF - Street Project	Oct 1, 1999	4.7%	\$ 325,000
TIF- Economic Development	Nov 1, 2000	5.10 - 5.65%	\$ 90,000
Rescue Truck	Sep 19, 2007	4.95%	\$ 174,470
Lime Sludge Lagoon Project	Sep 24, 2008	3.0%	\$ 187,000
Siren Lease	Apr 1, 2005	5.38%	\$ 15,156
Revenue bonds:			
Water	Nov 17, 1976	5.00	\$ 700,000

See accompanying independent auditor's report.



SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 80,000	\$ -0-	\$ 40,000	\$ 40,000	\$ 4,200	\$ 174
60,000	-0-	15,000	45,000	3,330	207
124,950	-0-	37,235	87,715	7,808	-0-
-0-	187,000	7,000	180,000	4,175	450
4,827	-0-	2,574	2,253	197	10
<u>\$ 269,777</u>	<u>\$ 187,000</u>	<u>\$ 101,809</u>	<u>\$ 354,968</u>	<u>\$ 19,710</u>	<u>\$ 841</u>
181,723	-0-	56,164	125,559	9,086	-0-
<u>\$ 181,723</u>	<u>\$ -0-</u>	<u>\$ 56,164</u>	<u>\$ 125,559</u>	<u>\$ 9,086</u>	<u>\$ -0-</u>

## CITY OF OAKLAND

## DEBT MATURITIES

JUNE 30, 2009

## General Obligation Note

Rescue Truck  
Issued September 19, 2007

Year Ended June 30,	Interest Rates	Amount	Total
2010	4.95%	\$ -0-	\$ -0-
2011	4.95%	-0-	-0-
2012	4.95%	-0-	-0-
2013	4.95%	87,715	87,715
Total		\$ 87,715	\$ 87,715

## Urban Renewal Tax Increment Financing (TIF) Notes

Year Ended June 30,	<u>Street Project</u> <u>Issued October 1, 1999</u>		<u>Economic Development</u> <u>Issued November 1, 2000</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2010	5.20%	\$ 40,000	5.50%	\$ 15,000	\$ 55,000
2011	--	-0-	5.60%	15,000	15,000
2012	--	-0-	5.65%	15,000	15,000
Total		\$ 40,000		\$ 45,000	\$ 85,000

See Accompanying Independent Auditor's Report.

**Drinking Water Program Revolving Loan Fund**

Lime Sludge Lagoon  
Issued September 24, 2008

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	3.00%	\$ 7,000	\$ 7,000
2011	3.00%	7,000	7,000
2012	3.00%	7,000	7,000
2013	3.00%	8,000	8,000
2014	3.00%	8,000	8,000
2015	3.00%	8,000	8,000
2016	3.00%	9,000	9,000
2017	3.00%	9,000	9,000
2018	3.00%	9,000	9,000
2019	3.00%	9,000	9,000
2020	3.00%	10,000	10,000
2021	3.00%	10,000	10,000
2022	3.00%	10,000	10,000
2023	3.00%	11,000	11,000
2024	3.00%	11,000	11,000
2025	3.00%	11,000	11,000
2026	3.00%	12,000	12,000
2027	3.00%	12,000	12,000
2028	3.00%	12,000	12,000
Total		\$ 180,000	\$ 180,000

**Capital Lease**

Siren Lease  
Issued April 1, 2005

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	5.38%	\$ 2,253	\$ 2,253
Total		\$ 2,253	\$ 2,253



**Revenue Notes**

Water Revenue Note  
Issued November 17, 1976

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	5.00%	\$ -0-	\$ -0-
2011	5.00%	-0-	-0-
2012	5.00%	-0-	-0-
2013	5.00%	5,559	5,559
2014	5.00%	40,000	40,000
2015	5.00%	40,000	40,000
2016	5.00%	<u>40,000</u>	<u>40,000</u>
Total		\$ <u>125,559</u>	\$ <u>125,559</u>

See Accompanying Independent Auditor's Report.



## CITY OF OAKLAND

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

## FOR THE LAST FIVE YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:					
Property taxes	\$ 206,896	\$ 203,171	\$ 198,773	\$ 165,517	\$ 157,113
Tax increment financing	218,833	203,412	208,720	143,618	150,589
Other city taxes	174,825	148,849	165,717	178,253	147,404
License and permits	6,353	5,801	6,302	6,808	4,473
Use of money and property	52,852	57,909	61,473	56,214	26,437
Intergovernmental	342,146	192,842	564,584	165,354	157,314
Charges for service	80,060	79,766	79,093	53,849	90,932
Miscellaneous	<u>211,952</u>	<u>104,406</u>	<u>93,853</u>	<u>146,678</u>	<u>222,388</u>
Total	\$ <u>1,293,917</u>	\$ <u>996,156</u>	\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>
Disbursements:					
Operating:					
Public safety	\$ 170,153	\$ 219,763	\$ 155,821	\$ 83,211	\$ 224,351
Public works	403,838	330,027	143,761	238,518	142,948
Culture and recreation	132,345	137,908	175,994	236,698	141,399
Comm and economic dev	4,114	6,571	15,939	62,007	18,943
General government	85,324	141,302	98,789	111,683	107,620
Debt service	118,748	108,758	81,720	118,085	117,296
Capital projects	<u>5,848</u>	<u>-0-</u>	<u>834,590</u>	<u>55,853</u>	<u>128,233</u>
Total	\$ <u>920,370</u>	\$ <u>944,329</u>	\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>

See accompanying independent auditor's report.





**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

July 30, 2009

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARD

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

**Harlan Office:**

2309 B Chatburn Ave.  
P.O. Box 551  
Harlan, IA 51537-0551

Ph. (712) 755-3366  
Fax (712) 755-3343

**Avoca Office:**

305 W. High Street  
P.O. Box 609  
Avoca, IA 51521-0609

Ph. (712) 343-2379  
Fax (712) 343-5012

[www.muxfeldt-cpa.com](http://www.muxfeldt-cpa.com)  
[firm@muxfeldt-cpa.com](mailto:firm@muxfeldt-cpa.com)

**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated July 30, 2009. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oakland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued . . .

July 30, 2009

Page Two

To the Honorable Mayor and  
Members of the City Council:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statement that is more than inconsequential will not be prevented or detected by the City's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items II-A-09, II-B-09, and II-D-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .



July 30, 2009:

Page Three

To the Honorable Mayor and  
Members of the City Council

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City of Oakland's responses, I did not audit the City of Oakland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Mufflet Associates, CPA, P.C.



**CITY OF OAKLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

**II-A-09 Segregation of Duties**

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

**CITY OF OAKLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2009**

**II-B-09 Financial Reporting - Transfers**

Comment - During the audit, I identified material transfers from the general fund, the tax increment financing fund, and the water fund that were authorized by council but were not executed on the City's books. The oversight resulted in a potential \$118,748 deficit in the debt service fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - The debt service fund should always have a zero balance at June 30<sup>th</sup>. A review of the clerk's report should have confirmed that transfers were not properly recorded.

Response - I will review the clerk's report for deficit debt service balances regularly in the future.

Conclusion - Response accepted.

**II-C-09 Capital Projects - Walnut Street Project & Lime Sludge Lagoon Project**

Comment - During the audit, I identified two capital projects that should have been recorded in capital projects funds but instead were recorded in the Road Use Tax Fund (Walnut Street Project) and the Water Fund (Lime Sludge Lagoon Project).

Recommendation - A capital projects fund should be established whenever the City initiates and makes a commitment to a major capital project. A capital projects fund is always a *governmental* fund and should be grouped as such for external financial reports.

Response - This was never considered but will be in the future.

Conclusion - Response accepted.



**CITY OF OAKLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

**II-D-09 Aquatic Center Funds Omitted**

Comment - During the audit I noted that \$150,264 of Oakland Aquatic Center funds were not recorded on the City's books. The oversight resulted in a potential material misstatement of the City's assets. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - If the citizenry donates funds for an Aquatic Center and the Council authorizes the purchase of certificates of deposit at a local bank as was the case in this instance, then the transaction that follows should be recorded on the City's books no matter what civic organization is handling the donations.

Response - The mayor, council and clerk more clearly understand the responsibility to provide an accounting of public funds.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Other Findings Related to Required Statutory Reporting:**

**III-A-09 Certified Budget** - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The City has five debt obligations required by statute to be paid from the debt service fund. The budget should have been amended in sufficient amounts in accordance with Chapter 684.18 of the Code of Iowa before debt service disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.



## CITY OF OAKLAND

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 200

III-B-09 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name</u>	<u>Description</u>	<u>Amount</u>
Joe Wede, Council Member	Computer installation	\$350

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

III-G-09 Revenue Notes - The City has complied with water revenue note resolutions.

III-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.



CITY OF OAKLAND

OAKLAND, IOWA 51560

## **NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$2,429,533 for the year ended June 30, 2009, The receipts included \$206,896 from property tax, \$218,833 from tax incremental financing, \$830,589 from charges for services, \$314,055 from operating grants, contributions and restricted interest, \$429,556 from capital grants, contributions and restrict interest, \$174,825 from local option sales tax, \$185,000 from loan proceeds, \$43,728 from unrestricted investment earnings and \$26,051 in other general receipts.

Disbursements for the year totaled \$1,937,419 and included \$864,550 for water, \$403,838 for public works, and \$170,153 for public safety.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

